

## ***Could your house be undersold at auction?***

by Paul Foster Selling property

Every week dozens of homes are undersold in Auckland, by being sold for less than the price they could potentially achieve. And that's despite being in a 'crazy' market producing record prices. Many of these undersold homes are selling for seemingly very high prices, and often well above their reserve price at a public auction. If that's the case, just how are they being undersold?



### **How properties are undersold at auction**

The problem normally rests with the public auction process. That's because nobody actually knows what the successful buyer was really willing to pay (except the buyer, of course).

Whether there is one or 100 buyers bidding at a public auction, when the auctioneer has the hammer raised and is shouting the third and final call, we know that all of the other bidders have reached their limit.

Yet if the successful buyer was pushed harder by the other bidders they would be forced to bid higher – and sometimes a lot higher.

### **A cautionary tale**

We recently heard an example of a property being undersold on Auckland's North Shore.

The vendor set the reserve at \$1.7 million, the top-end of what they were told they could expect to achieve. The day before the auction a new buyer was introduced to the property and fell in love with it. The vendor happened to be at home that day and met with these prospective purchasers during their viewing, who happened to let slip that they were going to get a \$200,000 bank cheque ready to allow them to bid up to \$2 million.

After a sleepless night the vendor (against the agent's advice) increased the reserve to \$1.9 million. Once the auction started the bidding stopped well short of this mark. The power then shifted back to the purchaser – and the pressure was back on the vendor to drop their reserve and sell.

The property ended up being passed in and eventually sold for \$1.85 million.

On the face of it this was a very good price. But, the reality was that it had actually been undersold and the vendor essentially lost \$150,000.

### **What can you do to prevent your house being undersold?**

The best way to avoid missing out on a buyer's highest price is to avoid a public auction altogether.

That means competing bidders are not aware what each other is willing to pay, so the pressure is firmly on the buyer to pay their highest price – rather than the vendor being disadvantaged to drop their price and 'meet the market'.

That's exactly why we recommend a silent auction approach.

**If you want to know more about why silent auctions may deliver better results, [do have a chat to us.](#)**